

Message Text

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17

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 FRB-03 H-02 INR-07 INT-05 L-02 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 TAR-01

TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01 /086 W

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R 222047Z APR 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 9967

INFO AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY GUAYAQUIL

AMEMBASSY TEGUCIGALPA

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E.O. 11652: NB

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TAGS: ETRD CS

SUBJECT: FURTHER DEVELOPMENTS ON BANANA TAX

1. TEN DEPUTIES OF THE RULING PLN PARTY HAVE PRESENTED A BILL TO ABROGATE THE "CONTRACT LAWS" WHICH ESTABLISH THE RIGHTS AND PRIVILEGES OF THE BANANA COMPANIES IN COSTA RICA. THE CONTRACT LAWS, WHICH THE DEPUTIES CALL "AN OFFENSE TO THE SOVEREIGNTY OF THE NATION", ARE IN REALITY CONTRACTS WHICH WERE NEGOTIATED BY THE BANANA COMPANIES WITH THE EXECUTIVE AND WERE APPROVED BY THE LEGISLATIVE ASSEMBLY.

2. THIS BILL IS RELATED TO THE COURT ACTION OF THE BANANA COMPANIES WHICH ASKS THAT THE BANANA TAX BE

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DECLARED ILLEGAL BECAUSE IT IS IN CONTRADICTION

TO THE EXISTING CONTRACT LAWS. THE GOVERNMENT'S POSITION ON THE COURT ACTION, AS STATED BY THE DEPUTY SOLICITOR GENERAL, IS THAT THE GOVERNMENT HAS AN ABSOLUTE RIGHT TO LEVY TAXES, AND THAT THE STATE, IN THE EXERCISE OF ITS SOVEREIGN RIGHTS, CAN CHANGE OR ELIMINATE AT ANY TIME EXONERATIONS CONCEDED BY LAW.

3. MEANWHILE, IN A SEPARATE ACTION IN THE LEGISLATIVE ASSEMBLY, UNIFICATION DEPUTY VILLALOBOS ARCE, HAS INTERPOLATED THE MINISTER OF FINANCE ON THE QUESTION OF BANANA TAXES. THE DEPUTY IS ASKING FOR AN EXPLANATION OF PRESS REPORTS THAT THE GOVERNMENT IS COLLECTING LESS THAN 25 CENTS IN TAX FROM THE BANANA COMPANIES. THE CHARGES ARE THAT, BETWEEN MAY AND DECEMBER OF 1974, UNITED BRANDS AND STANDARD FRUIT PAID ONLY 23 CENTS, THAT DEL MONTE PAID ONLY 8 CENTS AND THAT AFRIKANISCHE PAID LESS THAN 5 CENTS PER BOX. TODMAN

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